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CROSS-SECTORAL ISSUES, WITH PARTICULAR REFERENCE TO THE CRITICAL ELEMENTS OF SUSTAINABILITY

Note verbale dated 8 March 1996 from the Permanent Representative of Malaysia to the United Nations addressed to the Secretary-General

The Permanent Representative of Malaysia to the United Nations presents his compliments to the Secretary-General of the United Nations and has the honour to transmit herewith a report entitled "Agenda for Action - the Way Forward".

It would be highly appreciated if this report could be circulated as a document of the Commission on Sustainable Development at its fourth session.

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* E/CN.17/1996/1, to be issued.

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ANNEX

TOWARDS CORPORATE ENVIRONMENTAL EXCELLENCE -
Challenges & Opportunities In Asia-Pacific
Kuala Lumpur, 17th - 20th October, 1995

AGENDA FOR ACTION - THE WAY FORWARD

Organized by:

GLOBAL 500 FORUM

Golden Hope

In collaboration with:

Ministry Of Science, Technology And The Environment, Malaysia

UNEP

In conjunction with:

ASEAN ENVIRONMENT YEAR

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TOWARDS CORPORATE ENVIRONMENTAL EXCELLENCE - Challenges & Opportunities in Asia-Pacific

Recognising the need for business and industry to strengthen their role in promoting sustainable development, the Global 500 Forum and Golden Hope Plantations Berhad in collaboration with the Ministry of Science, Technology and the Environment, Malaysia and the United Nations Environment Programme (UNEP) organised the 1st Global 500 Forum International Conference themed "Towards Corporate Environmental Excellence - Challenges and Opportunities in Asia-Pacific". The conference was held in conjunction with ASEAN Environment Year, from 17th to 20th October, 1995 in Kuala Lumpur, Malaysia.

The objectives of the conference were:

- To promote the role of business in achieving sustainable development;
- To encourage the corporate sector to be proactive in addressing environmental challenges of common concern;
- To enhance business opportunities through green management policy and practices;
- To foster cooperation between business and the public for the betterment of the environment;
- To set an agenda for corporate environmental excellence.

The conference provided a platform for corporate leaders, entrepreneurs, policy makers, environmentalists and other stakeholders to identify and address challenges and opportunities towards corporate environmental excellence. It attracted the attendance of over 350 participants from 30 countries.

The Hon. Deputy Prime Minister of Malaysia, YAB Dato Seri Anwar Ibrahim officially opened the conference on Tuesday, 17th October, 1995. In his keynote address, he called for a paradigm of development characterised by a proper balance between three interrelated value systems: "value for money or economic justice, value for nature or environmental justice and value for people or social justice".

On the role of the private sector, particularly the large corporations, he reiterated that "they have an important and legitimate role in promoting both economic growth and environmentally sound and sustainable development. This is very much in tune with UNCED's Agenda 21, where business and industry, including transnational corporations, are expected to assume some responsibility in the social and economic development of a country. Business and industry should therefore recognize environmental management as being among the highest corporate priorities and as a key determinant to sustainable development".

In her message conveyed to the conference, Ms. Elizabeth Dowdeswell, Executive Director of UNEP stated that "this forum is an important convergence of the corporate industrial world with the environmental world. The two are often seen as being at odds, one characterized as being preoccupied with the maximization of profits within the short term, the other with the maximization of the diversity and quality of life in the long term. What we find, of course, is that we both live in one world, a world in which our two realms are not only interconnected, but interdependent".

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She stressed that sustainable development requires the energies and wisdom of industrialists and environmentalists alike and hoped that the "deliberations in Kuala Lumpur will point the way to a package of policies for our collective survival. It is a task that calls for dispassionate analysis and passionate commitment"

The 1st Global 500 Forum International Conference was designed to be different and to make a difference with regard to the state of the environment globally. The conference structure and programme was constructed in a manner that culminated in an Agenda for Action. This agenda which took into account the presentations and deliberations during the conference plenary and concurrent sessions and panel discussion, was presented by Sir Martin Holdgate, President, Global 500 Forum in the final plenary paper "Agenda for Action - The Way Forward".

It is hoped that business and industry, UN agencies, governments, non-governmental organisations and other stakeholders will adopt and implement the recommendations of the Agenda for Action as a way forward, for achieving both, corporate environmental excellence and sustainable development.

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AGENDA FOR ACTION - THE WAY FORWARD

Presented by

Sir Martin Holdgate
President, Global 500 Forum

INTRODUCTION

The 1st Global 500 Forum International Conference entitled "Towards Corporate Environmental Excellence - Challenges and Opportunities in Asia-Pacific" had five very clear objectives:

- to promote the role of business in achieving sustainable development;
- to encourage the corporate sector to be proactive in addressing environmental challenges of common concern;
- to enhance business opportunities through green management policy and practices;
- to foster cooperation between business and the public for the betterment of the environment;
- to set an agenda for corporate environmental excellence.

The Conference took as its point of departure three important basic assumptions. First, that all nations and all peoples need a paradigm for a just, equitable and sustainable development. Second, that this development cannot be created by governments alone, but requires the cooperative endeavour of all sectors of society. Third, that the world of business, industry and commerce has a central role in the building of sustainable development because it is the creator of wealth and the inventor and operator of the technology we need if industrial advances are to proceed without environmental destruction.

These assumptions are not new. They were endorsed by the Heads of State and Government at the UNCED Earth Summit in Rio de Janeiro in June 1992. They are rehearsed in Agenda 21. They have been repeated by many world leaders - and were a central part of the keynote address delivered to the conference by YAB Dato' Seri Anwar Ibrahim, Deputy Prime Minister of Malaysia and in the message sent to the Conference by Ms. Elizabeth Dowdeswell, Executive Director of UNEP. The central task of the Conference was to work out how they could be applied in the Asia Pacific context.

A number of general guiding principles have been made. These include the statement of responsibility for Government towards business and industry and for business and industry itself, set out in Agenda 21; the 16 Principles for Environmental Management in the International Chamber of Commerce's (ICC) Business Charter for Sustainable Development; the 9 approaches recommended to business leaders in the ASEAN Business Principles on Sustainable Development; and the concept of ecoefficiency advocated by the World Business

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Council for Sustainable Development. The latter made a key point in emphasising that companies that are environmentally efficient - that use energy and materials efficiently, minimize waste and do not pollute - are also likely to be economically efficient. It is (or would be) a fallacy that environmental protection adds costs. Often, when a Company applies its ingenuity, high environmental performance and profitability go hand in hand.

The ICC and ASEAN principles for sustainable development can be combined and grouped under three main headings:

(a) the development of a corporate policy for environmental excellence;

(b) the application of environmentally sound management and operational practices;

(c) the adoption of a wider role by business to promote sustainable development in the community.

These three headings have been used to structure this Agenda for Action emerging from the Global 500 Forum Conference in Kuala Lumpur.

The ICC/ASEAN principles suggest that corporate policy for environmental excellence should include:

(i) recognition by business of a moral responsibility to promote sustainable development;

(ii) commitment to environmental excellence throughout the enterprise;

(iii) expression of this commitment in a corporate environmental policy statement and plan of action.

In management and operational terms, the key principles can be re-arranged as:

(iv) promulgation of the corporate environmental plan throughout the enterprise, informing, training and involving employees in enhancing environmental performance;

(v) adoption of high safety and environmental protection measures in all plants;

(vi) promoting energy conservation and waste minimization in all operations;

(vii) adoption of life cycle assessment of products and services;

(viii) attention to the environmental standards of contractors and suppliers;

(ix) adoption of self-auditing and self-regulation.

As to the wider role, the principles indicate that business should:

(x) be proactive in advising Government on the economic and regulatory requirements that can best advance sustainable development;

(xi) publish their environmental strategies and reports on environmental performance and discuss these with local communities and other stakeholders and interest-groups notably the environmental and finance communities;

(xii) inform customers about the environmental performance of products and of the processes by which they were made;

(xiii) work to promote the transfer of technology that will advance environmental performance by all concerned;

(xiv) get closer to research institutions and NGOs who can help companies develop better policies and practices.

The discussions in the Conference elaborated on the actions needed in many of these fields and confirmed that the general principles were appropriate.

In the following sections, the many detailed proposals made by Conference participants have been grouped and rearranged under the three main headings mentioned earlier. In addition, a section has been added on what Governments and international bodies - including the Global 500 Forum - might do to facilitate corporate environmental excellence.

DEVELOPING A CORPORATE POLICY FOR ENVIRONMENTAL EXCELLENCE

One need in this area is to have clear understanding of what constitutes corporate environmental excellence. The action points for a Company include:

(a) accept that all people and organizations have a duty to care for the Earth and for other people today and in future generations, and that business ethics should be governed by wider social and environmental ethics. Also recognize that the environment, not industry, determines the limits of tolerance of ecosystems;

(b) accept that economic, social and environmental goals must all be pursued in an integrated way in a world that is becoming increasingly complex. The aim is for business to be profitable, environmentally friendly and socially respected;

(c) go beyond compliance with existing regulations and adopt the practices and technologies that achieve maximal ecoefficiency;

(d) accept that the world does not stand still and that our present understanding and technological capacity will change, and probably raise standards. The corporate vision must therefore reach beyond today. It must also allow for uncertainty and identify areas where risk analysis is necessary.

(e) recognize that the move to sustainable development may demand a paradigm shift from today's consumer society to one that puts more weight on conservation of nature and natural resources, durability of products and satisfaction of social needs;

(f) accept that efforts towards corporate environmental excellence must be top driven to ensure the commitment at all levels.

Against that background, a corporate environmental policy itself should:

(a) set out for a Company its goals of environmental excellence as an integral part of the wider corporate vision and mission;

(b) demonstrate firm commitment to these goals, perhaps by preparing Company "Agenda 21s";

(c) emphasise that ecoefficiency is being pursued because it is profitable and economic and environmental targets do not conflict and must be pursued together;

(d) accept key guiding principles such as the precautionary principle, the polluter pays principle (which is a no-subsidy, non-externalizing principle) and above all, the accountability principle : accountability to shareholders and stakeholders for what the Company does;

(e) adopt also the goals of the ICC Business Charter, the UNEP Bankers' Charter and the ASEAN business principles - or even better ones;

(f) set down practical measures for achieving environmental excellence within the Company, and also define how the Company will relate to the wider community.

(g) be transparent regarding how the Company will work to achieve its ends.

APPLYING ENVIRONMENTALLY ADVANTAGEOUS OPERATING PROCEDURES

Companies must convert their corporate policy into practical action. The actual approach would depend on the nature of the Company - and it is important that agendas for action are brought down to the level of practical detail. But the following elements are likely to be almost universal.

A. Motivating the entire enterprise

(a) secure the involvement and commitment of the Board of Directors and the CEO, supported by all senior management;

(b) involve expert advisers as an Environmental Advisory Group or even as "non-executive environmental directors";

(c) involve all levels of the Company in formulating and implementing the corporate environmental strategy. If the work force as a whole is able to make an input, it will feel a sense of ownership, will understand the plan better, and will implement it more energetically;

(d) ensure that the Company's training schemes cover the whole subject of ecoefficiency and environmental excellence.

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B. Adopting best practice

(e) Adopt and implement best practice for minimizing the waste of energy and raw materials, for maximum recycling and avoiding polluting discharges to the environment and the externalization of costs. How this can be done in a variety of enterprises has been illustrated by numerous case studies presented to the Conference;

(f) adopt detailed measures including:

(i) Life cycle assessment of products;

(ii) environmental impact assessment (even if not required by law);

(iii) completion of a check list of quantifiable targets against which progress can be monitored, giving an "Environmental Performance Index";

(iv) rigorous monitoring of discharges to, and impacts on the environment;

(v) monitoring of compliance with the provisions of the ICC Business Charter or other codes of practices, and with the relevant goals set out in the corporate environmental strategy;

(vi) promotion of research and development that allow introduction of practices that further enhance environmental excellence;

(vii) enter into dialogue with contractors and suppliers to ensure that they also adopt high environmental standards.

C. Reporting and accounting

(g) produce a corporate environmental report designed to inform and enthuse employees, inform local communities, educate the public, answer critics, and satisfy stakeholders, financial institutions and others that the Company is fully committed to environmental excellence;

(h) ensure that this report includes quantitative data on the Company's performance in achieving (or failing to achieve) its set targets.

(i) monitor the level of commitment to environmental excellence in the Company and the acceptability of its environmental reports and performance to the local community, consumers and others.

D. Independent certification and promotion

(j) Seek independent validation of corporate action and certification to ensure that products and processes indeed meet high environmental standards. Assess corporate environmental management of the Company against ISO 14000 and its various component elements, and work towards compliance;

(k) enlist the aid of expert consultants to criticize and help improve the Company's environmental reports, and consider the potential value of eco-counsellors in identifying unsuspected opportunities for improved environmental performance;

(l) recognize that the main barriers to progress are human, and therefore involve all major stakeholders in dialogues about the Company's role and performances, targeting in particular:

(i) local communities;
(ii) consumers;
(iii) environmental groups;
(iv) financial institutions.

(m) make the Company's environmental performance a positive feature in its promotion and marketing, and urge that it to be recognized as a "green investment" by financial institutions. Adopt eco-labelling voluntarily; it should be a selling point.

ADOPTING A WIDER ROLE TO PROMOTE SUSTAINABLE DEVELOPMENT

Companies should be outward-looking, recognizing that they can influence the social and political context in which they operate, influence the markets for their products, enhance their competitive edge and advance sustainable development. To this end they should:

(a) promote the contribution business, commerce and industry can make to sustainable development, especially through publicising success stories. There is an important leadership role for companies that can show that environmental excellence pays;

(b) press for better collective statements of business environmental goals, for example by securing a review and revision of the ICC Business Charter;

(c) seek symbiotic partnerships with other companies, municipalities and public utilities whose wastes could be used as raw materials, or with whom joint ventures would enhance local environmental conditions;

(d) negotiate with local and national governments the improvement of incentives and opportunities for sustainable development, including through the construction of a "level playing field";

(e) press for local and central governments and other components of society themselves to demonstrate environmental excellence - for example by keeping the environment clean;

(f) enter into dialogues with those responsible for environmental education, to promote understanding among young people of the positive role the business sector is playing in creating environmentally responsible sustainable development;

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(g) join Responsible Care Programmes for particular sectors, working with Public Advisory Committees linked to national trade associations or other collective groups;

AN AGENDA FOR ACTION OUTSIDE INDUSTRY

No agenda for action can work if it is confined to business, industry and commerce. Central and local governments have an essential role because they create conditions which favour or obstruct environmental excellence. Environmental organizations should similarly recognize that they are far more likely to achieve the clean world they seek by working constructively to inform and persuade industry than by continual criticism and the threat of litigation. This agenda for action is a broad one:

A. Government should:

(a) adopt national strategies for sustainable development; including national strategies to promote profitable, sustainable business, prepared in dialogue with all sectors of the community and back these by commitment at the highest level (Head of Government and Cabinet);

(b) note industry Agenda 21 initiatives and report these in annual reports to the UN Commission for Sustainable Development (CSD);

(c) promote round-table dialogues among industry and commerce and environmental and citizen groups, the scientific community and other major sectors so as to secure wide public support for the national strategy;

(d) adopt, on the basis of such dialogues, administrative measures and economic incentives that encourage corporate environmental excellence, while using and enforcing regulations where these are essential to deter the irresponsible (including those engaged in a black market of banned substances) and avoiding perverse taxes that inhibit environmental progress. Such instruments and measures should be used consistently and the corporate sector should be sheltered against arbitrary and short term changes in the operating environment;

(e) in partnership with international bodies including the World Business Council for Sustainable Development, facilitate the sharing of new and improved technologies with developing countries since the use of such technologies is likely to be essential for sustainable development at the global level;

(f) encourage the use of "alternative dispute resolution" or other dialogues as a cost-effective and constructive way of resolving conflicts between business and other sectors of society.

B. International business organizations, especially WBCSD and ICC should;

(g) lead in developing a more proactive collective role for world business, stressing its role in building prosperity in ways that are equitable, economic and environmentally sound;

(h) provide the business sector with informal services about progress in key areas, including technological advance, product assessment and certification, development of standards within ISO, the status of trade and environmental regulators (inter alia through so-called "quick scans") and best practice in advancing the goals of the ICC Business Charter;

(i) encourage environmental literacy in the business community, by providing a list or curriculum of key issues to business schools, together with background information and urging employees seek such education;

(j) provide a forum for discussion, at global or regional level, with experts who can help develop visions of the changing context in which business will operate-for example if the emphasis shifts from supply-to demand-side and the culture shifts from consumer to conserver;

C. Other organisations

(k) the World Trade Organization should press ahead with measures to ensure that where environmentally related actions affect trade, the impact is equitable and that the actions have genuine environmental merit. WTO should open more avenues for dialogue with all relevant stakeholder sectors;

(l) the various international financial institutions, including the World Bank and multilateral development banks, should include environmental excellence as a positive criterion for investment. For their part, Governments should work for stability in global capital markets so that long term investments can proceed with confidence;

(m) the various international agencies concerned with environment and development, including UNEP and UNDP, should continue to encourage environmental excellence in the business sector as a major contribution towards achieving sustainable development. ISO procedures and standards should be scrutinized to ensure that they genuinely advance environmental excellence;

(n) international and national NGOs should enter into a constructive dialogue with the business sector, based on the recognition of the essential role business can play in advancing sustainable development;

(o) the Global 500 Forum, as a unique and diverse group of environmental achievers, should develop its capacity to interact with the business world, in particular as a sounding board on likely trends in social demand made on business and industry.

CONCLUSION

The most interesting general conclusion that emerged from the Conference was that while there are many specific Asia-Pacific examples of moves towards corporate environmental excellence - for example in the oil palm industry - judging by the range of papers presented at the Conference, there is no clear evidence of major differences in the general approach from that in other regions. The companies which have participated expect to use high

standards and reject the idea that because this is still a developing region it is acceptable to use "polluting" technology that is relatively cheap today and clean up tomorrow. But is this a fair general picture?

The Conference did hear about the problems of importing advanced technologies, and in the final panel discussion some doubts were expressed about the level of commitment and action in general among the companies not represented at the Conference. The Asia-Pacific Agenda for Action should insist that it is good economics as well as good social and environmental practice to seek high standards of ecoefficiency, and adopt measures that raise companies up to the level of the best. And there seems to be agreement that in an imperfect world we would still need strict sanctions against those who deliberately breach environmental regulations.

The dialogue begun at this Conference has been valuable but needs to continue. It is clear that business in the Asia Pacific region is moving in the right direction, but may not be going fast enough. The second Global 500 Forum Conference on Environmental Management for Tomorrow's Cities to be held in Sydney in October 1996, should continue the focused, action-oriented dialogue began in Kuala Lumpur.